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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

Amendment of Part 36 and 69 of
the Commission's Rules to Effect
Comprehensive Reform of the
Access Charge System

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RM No. 8480

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STATEMENT IN PARTIAL SUPPORT
OF THE
INTERNATIONAL COMMUNICATIONS ASSOCIATION

Pursuant to sections 1.4 and 1.405 of the Commission's rules, the International Communications ("ICA") hereby submits its comments concerning the "Petition for Rulemaking of the Ad Hoc Telecommunications Users Committee." ("Committee Petition").¹ ICA partially supports the Committee's Petition.

ICA supports the Committee's request that the Commission continue to address access charge and separations issues in a logical, sequential manner that is designed to reduce uncertainty in the markets intimately affected by access-related issues. ICA does not support the petition if and to the extent it may be read by some parties to suggest immediate, top-to-bottom revisions to all existing Commission rules in this area. Careful reading of the Committee's Petition suggests that it is not seeking such comprehensive, expedited rule changes, which few parties save the largest carriers have the resources to address adequately. A comprehensive approach is what the large local exchange carriers ("LECs") have been seeking and there is reason to

¹ See Public Notice, Report number 2013 (Corrected), June 8, 1994.

believe that user groups and most other interested parties would not have the resources to adequately participate in such an approach.

ICA supports the Committee's proposed approach to jurisdictional separations reform. ICA believes the jurisdictional separations mechanism outlined in the petition is a significant improvement over prior separations reform proposals, because separations transfers would be based upon carriers' relative costs, and not just revenues (as under the prior "MART" proposal). ICA does not support at this time the Committee's request that the Commission consider additional assignment of non-traffic sensitive ("NTS") costs to end user access. While this approach may be more cost-based in the short run, it does not afford local exchange carriers with sufficient incentives to actually reduce their costs as opposed to merely shifting costs that may be no longer be efficient among access rate elements.

The ICA is the largest association of telecommunications users in the world. Recent estimates indicate that ICA members spend about \$21-billion each year on telecommunications services and equipment. The bylaws of the ICA exclude any firm that is predominantly engaged in the production, sale or rental of communications services or equipment from eligibility for membership. ICA members are large users of each and every type of existing or potential service offered by the carriers who either pay or collect access charges levied under parts 36 and 69 of the Commission's rules. Thus, ICA members have a vital stake in access charge reform.

Scope of the proposal

Ad Hoc states that it filed the petition in order to recognize "changing competitive, legislative and technological circumstances, combined with the danger that only certain facets of the current access charge policy might be addressed in isolation."² ICA agrees that no facet of the current access charge rules should ever be addressed "in isolation." Accordingly, ICA agrees with Ad Hoc that the Commission's approach to access charge rule changes should be carefully coordinated.

It has never been ICA's view "that full separations reform must be implemented before the Commission initiates significant access reform" and ICA is surprised that the Ad Hoc Committee has characterized its own position in that manner. ICA and, we believe the Ad Hoc Committee, has always previously taken the position that separations reform simply cannot be omitted from full consideration of access issues not that separations changes are a condition precedent to other changes in Part 69 rules. ICA agrees with the Ad Hoc Committee that the full scope of access charge reform cannot be achieved "without first addressing"³ issues related to the existing jurisdictional separations procedures.

The proposal advanced by the Ad Hoc Committee to simplify separations through a revised Jurisdictional Separations Mechanism or JSM deserves to be fully considered by the Commission. Unlike the earlier MART proposal,⁴ the revised

² Petition, p.4.

³ Petition, p. 4.

⁴ Petition, p. 11 and fn. 13.

proposal incorporates some ongoing relationship to each LEC's overall capital costs and operating expenses.⁵ However, like the earlier plan, these separations reforms and simplification would increase the visibility of the jurisdictional transfers and provide the proper data to decide on a going forward basis what, if any, subsidies should be included in the transfer payments.

ICA believes that the Commission should endeavor to address these issues through multiple dockets, having different comment cycles and, as a practical matter, different, general deadlines for action. We see this approach as the best way to resolve three requirements for access charge changes. (1) Logical consistency, issues that affect the same functional elements of access, like transport repricing, should continue to be addressed together. (2) Administrative efficiency proceedings should be specified so as to enable effective participation by interested parties with limited resources (that is, virtually every possible party except the largest common carriers), including state regulators and consumer advocates. (3) Market certainty, meaning that changes in rules that might have interactive effects on each other should be sequenced over time where possible, in order to ensure that LECs and other parties with superior internal information regarding the interactive effects are not tempted to unduly game the process.

There are a number of different ways that the Commission could proceed to address the many access charge issues and satisfy the tripartite goals of logical

⁵ See Petition, pp. 10-12, ETI Report, pp. 28-31.

consistency, administrative efficiency and market certainty. For the sake of illustration, one sequence of possible FCC actions might look like this:

Existing CC Docket No. 80-286 - would be ended. Notwithstanding the existence of unresolved issues, such as the jurisdictional allocation of exchange carrier marketing expenses, this proceeding has outlived its utility.

New CC Docket No. 94-____, e.g., "Jurisdictions Separations Simplification and Reform," would invite comments on the best ways to largely eliminate the black box character of current rules. The Ad Hoc Committee's "JSM" approach would be a good place to start. Other parties should be invited to benchmark their own proposals against this one in terms of simplicity, ease of use and visibility.

New CC Docket No. 94-____, "Policies and Programs To Assure Universal Telephone Service," incorporating the record in RM - 8388. The four points summarized on pages 8 and 9 of the Ad Hoc Committee's Petition should be included in this docket for comment.⁶

Existing CC Docket No. 91-213 and the related products of specific tariff investigations, designed to effect a more or less permanent structure for transport pricing.

Existing CC Docket No. 94-1, to carve out an exception to Part 69 rules for new services that qualify under the protections that would be newly-incorporated in price caps as ICA has proposed in that docket.

New CC Docket No. 94-____, to establish a program for defining and monitoring "competitive triggers," based on comments in the LEC Price Cap docket concerning "Transitional Issues."

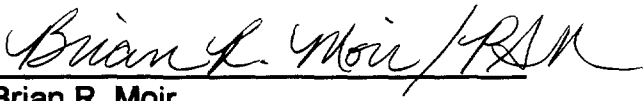
Finally, ICA believes that some of the Ad Hoc Committee's proposals to increase certain access charges like the Subscriber Line Charge are premature. Ad Hoc's new proposals do not offer the LECs any new incentives to actually cut

⁶ These points have previously been outlined in other submissions to the Commission, including CC Docket No. RM-8388 Comments. See Ad Hoc Petition, ETI Report at footnotes 37 and 40.

costs, as many American businesses and ICA members are being forced to do, rather than merely moving costs around. Ad Hoc suggests zero based funding of the Universal Service Fund (USF), but the USF is only about 3.8% of total access charges and is the most politically sensitive access component. It is not clear that this proposal advances economic efficiency or provides LECs with the correct incentives to increase their efficiency. Likewise, Ad Hoc's proposal to raise the Subscriber Line Charge above the \$3.50 limit does not give LECs any real incentives to cut costs.

WHEREFORE, the International Communications Association respectfully requests that the Commission act on the "Petition for Rulemaking of the Ad Hoc Telecommunications Users Committee" consistent with ICA's comments.

Respectfully Submitted,
INTERNATIONAL COMMUNICATIONS ASSOCIATION

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July 8, 1994

CERTIFICATE OF SERVICE

I, Patricia S. Nolan, hereby certify that a true and correct copy of the of
the foregoing "Statement in Partial Support of the International
Communications Association", were mailed, first class, postage prepaid, this 8th
day of July, 1994, to the following:


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